

## FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

This function includes those activities designed to promote education, to provide social services for needy individuals, and to conduct research directly related to these program areas. In general, the activities funded by this function are administered through the Departments of Labor, Health and Human Services, and Education.

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(\$ Billions)							
	1999 Actuals	2000	2001	2002	2003	2004	2005
<b>President's Budget:</b>							
Budget authority	60.4	55.6	73.7	75.6	77.9	79.8	82.1
Outlays	56.4	63.4	67.5	73.7	76.9	78.6	80.6
<b>OMB Baseline:</b>							
Budget authority	60.4	55.7	69.9	70.9	73.7	75.5	77.9
Outlays	56.4	63.3	69.4	69.9	72.5	74.1	76.2
<b>Budget compared to OMB Baseline:</b>							
Budget authority	---	-0.0	3.7	4.7	4.2	4.3	4.2
Outlays	---	0.1	-1.9	3.8	4.4	4.5	4.4

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Increased spending for education is a major Presidential priority this year, and the President is requesting \$73.7 billion for 2001, \$18 billion over the 2000 level.

### Department of Education Programs

- < In total for the Department of Education, the President is requesting \$44.7 billion for 2001, a \$7.8 billion increase compared to the 2000 level. Of the total request, \$40.1 billion is for discretionary programs, a \$10.7 billion, or 37 percent increase compared to 2000 levels. The balance of the request is \$4.6 billion for mandatory programs, a 39 percent decrease compared to the 2000 level.
- < Within the Department of Education, the President is proposing at least 10 new programs totaling over \$2.6 billion for 2001.

New programs include:

Small, Safe High Schools . . . . .	\$120 million
Next Generation Technology Innovation . . . . .	\$170 million
Teaching to High Standards State Grants . . . . .	\$690 million

School Leadership Initiative .....	\$40 million
Teacher Quality Initiatives .....	\$175 million
Transition to Teaching: Troops to Teachers .....	\$25 million
Early Childhood Professional Development .....	\$30 million
Opportunities to Improve Schools (Options) .....	\$20 million
Strengthening Technical Assistance .....	\$38 million
School Construction .....	\$1,300 million
Dual Degree Programs for Minority Colleges .....	\$40 million

- < The President proposes advance appropriations for discretionary programs of \$12.5 billion in 2002, the same level as was advanced into 2001.

#### Elementary and Secondary Education

- < The President proposes \$1.3 billion for a **school construction grant and loan program**, a task that has historically fallen to local jurisdictions. The President expects that the new loan program could leverage almost \$7 billion in renovation projects in high-poverty school districts. Both grants and loans would be made available, with the smaller grant program directed toward the neediest districts.
- < The President also proposes a new \$1 billion **Teaching to High Standards Initiative** for 2001. The \$1 billion would be split among at least 5 new programs aimed at increasing salaries for teachers and attracting new individuals to the profession. This new initiative would replace the **Eisenhower Professional Development** program.
- < Several less costly initiatives, including a \$120 million initiative to create **smaller high schools**, are also included in the President's budget.
- < For after-school care, the President proposes to increase funding from \$453 million in 2000 to \$1 billion in 2001. With this increase **21<sup>st</sup> Century Community Learning Centers** could serve 2.5 million children.
- < The President intends to continue his **Class Size Reduction Initiative** with \$1.75 billion for 2001, a \$450 million increase over 2000. This level includes an advance appropriation of \$900 million which would become available October 1, 2001. This initiative aims to reduce average class size to 18 for grades 1-3.
- < For **Education for the Disadvantaged** the President proposes \$9.1 billion for 2001, an increase of \$449 million above the 2000 level. This level includes an advance appropriation of \$6.2 billion which would become available October 1, 2001.
- < The President's budget proposes \$770 million for 2001 for the **Impact Aid** program, which is \$136 million below the 2000 level.

## Postsecondary Education

- < The President's Budget proposes an additional \$0.9 billion in 2001 (9.4 percent more than 2000) in student aid for higher education, except for student loan programs, whose cost the President argues can be reduced by 33 percent even while increasing loan volume by \$2.1 billion, or 5.3 percent.
- < The Administration pledges commitment to "supporting two strong student loan delivery systems." Yet savings of \$2.3 billion are claimed from lenders and guaranty agencies associated with the **Federal Family Education Loan Program (FFEL)**, the program of guaranteed student loans through which two-thirds of student loan borrowers participate. (Despite the reductions proposed for the FFEL program, and the fact that Direct Loan volume, relative to FFEL, is not projected to increase, the President nonetheless proposes a 4.7 percent increase in **Direct Loan** administrative expenses.)
- < Even though a change in the index for the **special allowance payments** to FFEL lenders was just enacted in the Ticket to Work Act in the fall, the Administration is already proposing to alter the new formula by 0.31 percentage points, thereby reducing payments to lenders by \$0.2 billion in 2001. The Administration also proposes to eliminate interest subsidy payments for loans funded through **tax-exempt securities**, for another \$0.1 billion of savings in 2001.
- < Addressing FFEL guaranty agencies, the Administration's budget in 2001 would "recall" \$1.3 billion of **guaranty agency reserves**, which are already federal funds maintained on deposit at such agencies. Once again, the President proposes reducing the **guarantee agency retention allowance**, which guaranty agencies receive as a result of collecting on defaulted loans, from 24 percent to 18.5 percent, for a savings of \$0.2 billion in 2001. For defaulted loans that are converted to consolidated loans, the budget would reduce the retention allowance even lower—to 12 percent—saving \$0.4 billion in 2001.
- < The President proposes \$8.4 billion for **Pell Grants**, a \$0.7 billion (9.4 percent) increase compared to the 2000 level. Part of this increase results from bumping the maximum grant size from \$3,300 to \$3,500. The balance stems from providing grants to an additional 36,000 students, bringing total Pell grant recipients to 3.8 million. Taking these changes together, the average Pell Grant would increase from \$2,060 to \$2,180. The remainder of the requested increase in appropriations for student aid would go to expanding **work study** and **supplemental educational opportunity grants**.

## Other Programs

- < For **Head Start**, within the **Department of Health and Human Services**, the President is requesting \$6.3 billion, an increase of \$1 billion over the 2000 level. From this amount, the President proposes that \$600 million be set aside for the **Early Head Start** to improve child

care quality and early childhood education for children under three.

- < For **Training and Employment Services** within the **Department of Labor**, the President's budget proposes total funding of \$6.1 billion, a \$670 million increase over the 2000 level. Within this account, the President proposes a new \$255 million **Fathers Work/Families Win** initiative to assist low-income working families obtain better jobs. The President also would increase **Youth Opportunity Grants** which provide training assistance to out-of-school young people in high poverty areas by \$125 million.
- < In order to provide additional discretionary spending, the President's Budget proposes one new fee through the Department of Labor. The **Alien Labor Certification Fee**, which has been proposed in the past, would increase receipts by \$137 million in 2001.
- < In order to support new Department of Labor initiatives, the President requests \$459 million for **Departmental Management**, an increase of 73 percent over the 2000 level. This increase would provide an additional \$97 million for **International Labor Affairs**, primarily to support efforts to eliminate child labor, and \$54 million for **information technology** activities.
- < The President's Budget proposes an increase for the **Social Services Block Grant (SSBG)** of \$75 million over the authorized level. This increase would maintain SSBG at the 2000 level of \$1.775 billion.
- < For **National and Community Service Programs**, the President's budget proposes \$847 million, a \$119 million increase over the 2000 level, primarily for the AmeriCorps program.

#### Educational Tax Relief

- < The largest education proposal on the tax side is the President's new **College Opportunity Tax Cut**, costing \$30 billion over 10 years. Families with incomes up to \$120,000 would have the option of a tax deduction or credit, providing up to \$2,800 in tax relief annually per family. Additionally, the President's budget will propose that all borrowers be allowed to deduct from their taxable income the interest they pay on their student loans for the life of the loans (see revenue section).
- < In addition to the new grant and loan program for school construction, the President is renewing the proposed **School Construction Initiative** from last year, which would subsidize via the tax code the issuance of \$24.8 billion in special 15 year bonds over the next two years. Revenue loss would total \$3.7 billion over the next five years (see revenue section).



